

## Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 PM-07 CIAE-00 INR-10 NSAE-00 RSC-01

INRE-00 L-03 SS-20 NSC-07 SSO-00 NSCE-00 SAM-01 PRS-01

PA-04 USIE-00 /067 R

DRAFTED BY DSAA:FTHIEBERGE/NEA/ARP:BWRAMPPELMEIER:CEJ

APPROVED BY NEA:ALATHERTON

DOD/ISA/NESA - MR. SCHAEFER

PM/MAS - COL. FARNHAM (SUBS)

ARMY - MR. SHADA

NEA/ARP - MR. DICKMAN

----- 008210

O R 082337Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

INFO /CHUSMTM DHAHRAN

USCINCEUR

SECDEF

DA WASHDC

S E C R E T STATE 071088

E.O. 11652: GDS

TAGS: MASS, SA

SUBJECT: SANG MODERNIZATION

REF: JIDDA'S 1636 AND 1661, STATE 070254

SECDEF FOR ISA AND DSAA

1. AS SET FORTH IN STATE 62377, DEPT AND DOD ORIGINALLY  
CONSIDERED LETTER OF OFFER TO BE PRESENTED AT THIS TIME  
FOR SAUDI NATIONAL GUARD MODERNIZATION SHOULD BE LIMITED  
TO TWO MECHANIZED INFANTRY BATTALIONS AND SUPPORTING  
ARTILLERY ELEMENTS CONTAINED OUR PROPOSAL PRESENTED TO  
PRINCE ABDULLAH ON DECEMBER 13. AS EXPLAINED BY AMB. AKINS  
TO ABDULLAH ORALLY ON DECEMBER 24 AND IN WRITING ON  
DECEMBER 26, THIS IS INITIAL PHASE IN SANG MODERNIZATION

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PROGRAM. SUBSEQUENT PHASES, INCLUDING ADDITIONAL TWO

MECHANIZED BATTALIONS AND REMAINDER OF ARTILLERY BATTALION SOUGHT BY ABDULLAH, ARE TO BE DEVELOPED BY MUTUAL AGREEMENT BETWEEN THE TWO GOVERNMENTS. AS REPORTED JIDDA 5733, ABDULLAH HAD ACCEPTED THIS CLARIFICATION.

2. FROM READING REFTELS, WE ARE CONCERNED THAT ABDULLAH MAY BELIEVE COST ESTIMATE OF \$335 MILLION CONTAINED AMB.'S DECEMBER 26 LETTER TO BE FIRM QUOTATION OF PROGRAM COST. AS AMBASSADOR'S LETTER MADE CLEAR, THESE ARE COST ESTIMATES RPT ESTIMATES AND COULD CHANGE SIGNIFICANTLY. MORE PRECISE COST ESTIMATES FOR THE ADDITIONAL SANG UNITS CANNOT

ESTABLISHED UNTIL WE HAVE HAD MORE EXPERIENCE WITH THIS PROGRAM. MOREOVER, WE CONTINUE DESIRE HOLD FURTHER CONSULTATIONS WITH SAUDIS PRIOR TO PROCEEDING WITH SECOND PHASE OF PROJECT.

3. WE RECOGNIZE HOWEVER THAT AFTER OBTAINING LETTER FROM KING FAISAL APPROVING PROGRAM FOR FOUR MECHANIZED INFANTRY BATTALIONS AND ONE ARTILLERY BATTALION, ABDULLAH'S CREDIBILITY WITH KING, AND THEREFORE OUR OWN WITH HIM, ARE NOW AT STAKE. WE THEREFORE AUTHORIZE AMBASSADOR, WHEN PRESENTING L/O, TO RESPOND TO ABDULLAH ALONG FOLLOWING LINES: (A) USG COMMITMENT TO ASSIST AND SUPPORT SANG MODERNIZATION WAS IN MEMORANDUM OF UNDERSTANDING BETWEEN TWO GOVERNMENTS SIGNED MARCH 19, 1973. IN ACCORDANCE WITH THIS AGREEMENT AND IN RESPONSE TO REQUEST CONTAINED ABDULLAH'S MESSAGE TO AMBASSADOR, WHICH WE UNDERSTAND HAS APPROVAL OF HIS MAJESTY THE KING, USG IS NOW PREPARED PROVIDE L/O COVERING MODERNIZATION OF FOUR MECHANIZED INFANTRY BATTALIONS AND ONE ARTILLERY BATTALION AT AN ESTIMATED COST OF \$272,330,000. (B) SAG HAS EXPRESSED INTENTION THAT ONCE INITIAL PHASE OF PROGRAM COVERING TWO MECHANIZED INFANTRY BATTALIONS AND TWO ARTILLERY BATTERIES IS UNDERWAY, PLANNING FOR SUBSEQUENT PHASE OF MODERNIZATION BE COMMENCED. (C) USG IS PREPARED TO SUPPORT CONTINUATION OF MODERNIZATION PROGRAM BEYOND INITIAL PHASE AS REQUESTED BY SAG. DETAILED PLANNING FOR SECOND PHASE SHOULD BEGIN ONCE WE HAVE DEVELOPED SUFFICIENT DATA BASED ON EXPERIENCE GAINED IN IMPLEMENTING INITIAL PHASE OF PROGRAM. (D)

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WE WISH TO EMPHASIZE ONCE AGAIN THAT COSTS SHOWN IN L/O (DD FORM 1513) REFLECT ONLY OUR BEST CURRENT ESTIMATES OF THE PROGRAM INVOLVED, AND NOT RPT NOT FIXED PRICES. UNDER THE LAW PERTAINING TO FMS PROCEDURES, EACH FOREIGN COUNTRY WHICH PURCHASES DEFENSE ITEMS OR SERVICES FROM DEPT OF DEFENSE PAYS WHATEVER IS ACTUAL COST OF THEIR PROCUREMENT TO USG. BY SIGNING A LETTER OF OFFER, EACH COUNTRY IN EFFECT ENGAGES THE DOD TO PROCURE ON ITS BE-

HALF WITH THE SAME PRUDENCE THAT THE USG APPLIES TO ITSELF IN CONTRACTING FROM SUPPLIERS. USG WILL, OF COURSE, MAKE EVERY EFFORT TO NEGOTIATE AND OBTAIN LOWEST POSSIBLE PRICES. HOWEVER, SAG WILL HAVE TO PAY ULTIMATELY WHATEVER ACTUAL RPT ACTUAL COST IS IMPOSED ON USG. IF SUBSEQUENT COST INCREASES OCCUR DOD HAS NEITHER FUNDS NOR AUTHORITY TO ABSORB COST INCREASES ON CUSTOMER'S BEHALF. (E) WE FURTHER WISH TO EMPHASIZE THAT LETTER OF OFFER FOR DA CASE ZAC DOES NOT RPT NOT COVER CONSTRUCTION AND ENGINEERING COSTS FOR THE SANG MODERNIZATION PROGRAM. SEPARATE L/O FOR THIS PORTION OF PROJECT IS STILL UNDER PREPARATION.

4. THE PRIMARY PURPOSE OF BLANKET CASE ZAC IS TO PROVIDE

AN IMMEDIATE MECHANISM FOR FINANCING THE SANG MODERNIZATION PROGRAM, AND TO ESTABLISH A MEANS FOR OBLIGATING SAUDI FUNDS FOR THIS PORTION OF THE PROGRAM. ALL PROCUREMENTS FOR SPECIFIC DEFENSE ITEMS AND SERVICES FOR THE SANG MODERNIZATION PROGRAM WILL SUBSEQUENTLY BE EFFECTED BY DETAILED LETTERS OF OFFER (DD FORM 1513) AS IS THE CUSTOM OF THE TWO GOVERNMENTS IN CONCLUDING FOREIGN MILITARY SALES. FUNDING AUTHORITY FOR THESE SUBSEQUENT LETTERS OF OFFER HOWEVER WILL STEM FROM THE BASIC L/O CASE ZAC. (SEE DETAILS IN NOTES 1 AND 2 OF DA CASE ZAC.)

5. WE RECOGNIZE ABDULLAH MAY WISH TO PUBLICIZE SIGNATURE L/O AND HAVE NO OBJECTIONS TO SAG DOING SO. FYI: WE HAVE NO INTENTION OF MAKING PUBLIC ANNOUNCEMENT HERE BUT WOULD WISH TO HAVE ADVANCE NOTICE (AT LEAST 24 HOURS) OF SAG'S INTENTION TO DO SO, TOGETHER WITH TEXT OF INTENDED SAG ANNOUNCEMENT, SO THAT WE COULD PREPARE APPROPRIATE RESPONSE TO POSSIBLE PRESS QUESTIONS HERE. END FYI.

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## Message Attributes

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**To:** JIDDA  
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